

CITY OF SEATTLE
RESOLUTION _____

A RESOLUTION calling for a thorough review and update of Seattle's incentive zoning and other affordable housing programs and policies focused on creating affordable Workforce Housing by establishing an Expert Advisory Team that will advise and make recommendations to the City Council.

WHEREAS, as the City continues to grow and develop, the City has established housing affordability targets in the City's Comprehensive Plan intended to encourage the creation of housing affordable to people from a range of ages, incomes, and family sizes; and

WHEREAS, Workforce Housing is typically considered to be rental units affordable to households earning between 60% and 80% of the area median income (AMI) or homes and condominiums affordable to households earning between 80% and 100% of AMI; and

WHEREAS, expanding opportunities for growth in Urban Centers has been a key factor in the City's economic health and providing affordable Workforce Housing in Seattle's Urban Centers and Urban Villages and near its light rail stations is a pillar of smart growth that reduces urban sprawl by enabling workers to live near their jobs and avoid long, expensive, and polluting commutes; and

WHEREAS, the City has taken proactive steps to put into place tools in the City's land use code to assist the City in providing increased housing opportunities including affordable housing, access to open space, preserving historic structures and regional farms and forests, and meeting other public objectives; and

WHEREAS, these tools are part of a comprehensive set of programs that address those goals, including direct investments in affordable housing production, incentive zoning, use of property tax exemption, and ongoing work to expand development capacity through planning in Seattle's Urban Centers and Urban Villages, and near its light rail stations; and

WHEREAS, the City has established under authority of State Law a property tax exemption program to achieve more affordable rents in eligible and participating projects, a program currently under review by the City Council; and

1 WHEREAS, the City has extended incentive zoning provisions into various zones as
2 development capacity is increased; and

3 WHEREAS, the City Council made efforts to encourage the creation of Workforce Housing in
4 downtown Seattle in exchange for bonus heights allowed for new commercial
5 development starting in 2001 and for new residential development starting in 2006; and

6 WHEREAS, developers have historically chosen to make payments to the City (totaling
7 approximately \$25 million since 2001 which the City uses to support separate low-
8 income housing projects) in-lieu of building the moderate income Workforce Housing
9 within the structures receiving the bonus, resulting in fewer than 50 workforce units
10 being built to date; and

11 WHEREAS, the ordinances in 2001 and 2006 authorized the Office of Housing Director to
12 increase the payment in-lieu fees to keep pace with the Consumer Price Index, but no
13 such increases were instituted; and

14 WHEREAS, in 2008 the City Council established an overall framework for the use of incentive
15 zoning through Ordinance 122882, which was developed through extensive engagement
16 with a range of stakeholders; and

17 WHEREAS, given changes in market conditions and the continued expansion of the market for
18 commercial and residential development in Seattle, it is appropriate for the City to review
19 these incentive programs and make appropriate updates; and

20 WHEREAS, thorough review and analysis should be conducted of current incentive programs as
21 well as other best practices with options and recommendations to spur the creation of
22 affordable Workforce Housing; and

23 WHEREAS, in February and March 2013, Spectrum Development, Community Attributes, and
24 Heartland produced reports for the City on affordable housing and the City's incentive
25 zoning programs; and

26 WHEREAS, a group of stakeholders assembled by the Mayor, including for-profit developers,
27 not-for-profit housing providers, and others with a strong interest in zoning and housing
policies in Seattle started to meet on or about March 22, 2013; and

WHEREAS, the Council deems it necessary and advisable to create an Expert Advisory Team to
analyze the ability of these and other programs and policies to address Seattle's goals for

affordable Workforce Housing, in addition to how potential changes would affect the Seattle economy; and

WHEREAS, the City Council is separately adopting ordinances that shall, unless the City Council adopts additional amendments to the Seattle Municipal Code, automatically adjust the incentive zoning programs governing downtown and South Lake Union to create affordable housing; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:

Section 1. Citywide Incentive Zoning Enhancements for Affordable Workforce Housing.

The Council shall contract for the services of independent consultants to form an Expert Advisory Team (“Experts”), further described in Section 2 of this resolution, to study, obtain broad stakeholder input, and recommend to the Council updates to the city’s incentive zoning bonus programs and other affordable housing programs and policies in order to facilitate the production of affordable Workforce Housing in Seattle’s Urban Centers, Urban Villages and near light rail stations. For purposes of this Resolution, “Workforce Housing” is defined as rental units affordable to households earning between 60% and 80% of the area median income (AMI) or homes and condominiums affordable to households earning between 80% and 100% of AMI.

A. The specific policy objectives to be addressed by the Experts shall include the following:

1. Recommend a specific percentage of affordable Workforce Housing that residential and commercial development projects in the city taking advantage of any bonus development capacity would need to include or otherwise help to create via payment-in-lieu. The set-aside toward affordable housing currently uses an incentive

1 approach based on a percentage of the bonus development capacity sought by the
2 developer that has averaged approximately 5% of the entire structure. The Experts shall
3 explore the feasibility of an option that results in affordable workforce units equivalent to
4 at least 10% of the gross square footage of the entire structure. The Experts shall
5 recommend an implementation timeline that achieves the set-aside percentage
6 recommended by no later than January 1, 2015.

7 2. Determine whether in-lieu fees should remain as an option for residential
8 projects and, if so, determine a base in-lieu fee and, to the extent practicable, other
9 policies that specifically encourage on-site construction of the Workforce Housing units
10 (“on-site performance”) in each of the neighborhoods to which incentive zoning has been
11 applied or to which incentive zoning is expected to be applied, including South Lake
12 Union. The base in-lieu fee shall be consistent with the Revised Code of Washington
13 (RCW) 36.70A.540 (2)(h), which states that “Affordable housing incentive programs
14 may allow a payment of money or property in lieu of low-income housing units if the
15 jurisdiction determines that the payment achieves a result equal to or better than
16 providing the affordable housing on-site, as long as the payment does not exceed the
17 approximate cost of developing the same number and quality of housing units that would
18 otherwise be developed.”

19 3. For the commercial incentive zoning program and for the residential program
20 (if the Experts recommend keeping in-lieu fees for residential development as an option),
21 recommend a specific, data-driven and market-sensitive formula or methodology that will
22 automatically adjust (increase or decrease) the payment-in-lieu amount on a regular and
23 consistent basis, including consideration of the Construction Cost Index, Consumer Price

1 Index, an analysis of relevant land values, and other factors on a neighborhood or area
2 basis. Administration of this automatic and mandatory adjustment would be the duty of
3 the director of the Office of Housing and not require Council consideration.

4 B. In accomplishing its work, the Experts shall review the reports produced in February
5 and March 2013 by Spectrum Development, Community Attributes, and Heartland. The Experts
6 shall seek input from research institutions including, but not limited to, the Urban Land
7 Institute's Terwilliger Center, the Innovative Housing Institute, the Center for Neighborhood
8 Technologies, and Harvard University's Joint Center for Housing Studies as well as from cities
9 with a broad range of experience with incentive zoning or similar programs designed to
10 encourage the creation of Workforce Housing or other types of affordable housing. The Experts
11 shall consult with and consider input from the group of stakeholders assembled by the Mayor,
12 including for-profit developers, not-for-profit housing providers, and others with a strong interest
13 in zoning and housing policies in Seattle that started to meet on or about March 22, 2013
14 ("Stakeholder Group") as well as other key local stakeholders described in Section 1(D) below.

15 C. In conjunction with their research and obtaining input from stakeholders, the Experts
16 shall address the following issues in a manner that allows the Council to adopt Ordinances and/or
17 Resolutions that increase the availability of affordable Workforce Housing in Seattle:

18 1. What is the current and anticipated need for low-income housing, Workforce
19 Housing, and market-rate housing in Seattle as determined by existing reports and needs
20 assessments?

21 2. Residential developers are currently required to include the affordable
22 Workforce Housing units within their project when they take advantage of the bonus
23 floor area ratio (FAR) option for structures of 85 feet in height or less. For taller

1 residential structures, what benefits for the public result from allowing a payment-in-lieu
2 fee rather than requiring on-site performance in incentive zoning provisions?

3 3. In completing the work described in Section 1(A)(1) above, how could the City
4 craft incentive zoning policies that contribute to overall housing production, job growth,
5 and an equitable application on individual neighborhoods or property owners of the
6 regulatory requirements associated with the City's affordable housing programs and
7 policies? The Experts should identify and explain any likely significant negative impacts
8 (if any).

9 4. Consistent with RCW 36.70A.540, affordable Workforce Housing is currently
10 defined in City policy as serving households earning between 60% and 80% of the Seattle
11 area median income (AMI) for renters and between 80% and 100% of AMI for
12 homeowners. Should this range be maintained or should it be adjusted? How would any
13 adjustment help to increase production of Workforce Housing? Should the AMI level(s)
14 and/or in-lieu payment level(s) and/or set-aside(s) be structured to encourage larger units
15 for families (such as 3-bedroom and 4-bedroom units) and, if so, how would that impact
16 the economics of housing production?

17 5. In addition to the incentive bonus program, what other initiatives or programs
18 could the Council consider to increase the availability of Workforce Housing in the city,
19 with a focus on Urban Centers, Urban Villages, and near light-rail stations? For example,
20 should the Council require that all or some payment-in-lieu funds be used exclusively for
21 Workforce Housing and, if so, what would the impacts of such a policy be? If the Council
22 encourages public-private partnerships that use public funds to leverage private
23 investment, would such a strategy lead to an effective production of Workforce Housing?

1 Should surplus City-owned property be sold or leased for Workforce Housing projects?
2 Considering Council's current review of the City's Multifamily Property Tax Exemption
3 (MFTE), what changes to the MFTE program would encourage the production of more
4 affordable Workforce Housing, if any? In addition to Urban Centers and Urban Villages,
5 how could Workforce Housing become more focused near light-rail stations?

6 5-6. What is the appropriate policy framework for evaluating and making
7 decisions about the priority to be given through incentive zoning programs to Workforce
8 Housing or to low-income housing (serving households earning less than 60% of the area
9 median income)? What is the trade-off between requiring developers to build Workforce
10 Units within the project receiving the bonus square footage (on-site performance) vs
11 allowing developers to make in-lieu payments which can be combined with other
12 resources to support low-income housing?

13 D. To obtain additional local input and insight for the formation of its recommendations
14 to the City Council, the Experts shall consult with and consider input from a broad range of
15 stakeholders and/or existing stakeholder groups, including but not limited to the Stakeholder
16 Group, and other private for-profit developers, not-for-profit housing providers, experienced
17 general contractors, impacted property owners and business owners, economic development
18 organizations, advocacy groups representing workers earning between 60% and 100% of the
19 Seattle area median income (AMI), and other relevant civic leaders representing groups that
20 could be significantly impacted by such policies.

21 **Section 2.** The Expert Advisory Team shall make recommendations to enhance the City's
22 affordable Workforce Housing incentive zoning programs and other programs and policies to
23 address the City's affordable housing goals.

1 A. The Experts shall report to the Housing, Human Services, Health, and Culture
2 Committee or its successor (“Council Committee”).

3 B. The Experts shall establish a meeting schedule appropriate to produce results to meet
4 the deadlines listed below. This shall include progress reports to the Council Committee at least
5 every two months.

6 C. The Expert Advisory Team, selected by the City Council, shall consist of no more
7 than three national experts from the fields of real estate finance (residential and commercial),
8 city/regional economics, land use, and/or government administration with experience consulting
9 local governments. Experts headquartered outside of the state of Washington are ideal candidates
10 to ensure objectivity and access to best practices from other regions of the country. Before the
11 City Council makes a final selection of the Experts, the Council will include as part of one of its
12 public meetings a briefing about the potential Experts from Council Central Staff. This briefing
13 shall include public testimony for Councilmembers to consider before selecting the Experts.

14 D. Support. The Experts shall receive the following support:

15 1. Staff support from City Council Central Staff and, to the extent practicable,
16 from the City’s Office of Housing and Department of Planning and Development. If
17 requested by the Experts, Central Staff may request support from other relevant city
18 departments as needed and to the extent practicable.

19 2. Council intends to authorize sufficient funds through separate legislation to pay
20 the Experts for their billable services on the scope of work reflected in this Resolution
21 and, to the extent deemed necessary by the Experts, to bring to Seattle additional experts
22 and/or officials from other local governments implementing best practices elsewhere to
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1 make presentations to the Experts and public on best practices for the creation of
2 Workforce Housing.

3 E. Timeline and Duration.

4 1. The City Council should make every effort to select the Experts by no later
5 than June 17, 2013.

6 2. Council requests the City's Office of Housing to provide to the Experts by June
7 17, 2013 the following background information:

8 a. A summary of the current incentive zoning and other relevant
9 affordable housing programs, including how many Workforce Housing units have
10 been produced since inception of each program.

11 b. A current inventory of affordable housing citywide. This inventory
12 should be broken down by census block and affordability level. This should
13 include an inventory of any Workforce Housing units produced in Seattle by the
14 private market without public subsidy and, to the extent practicable, an
15 explanation of how those units were produced (funding sources, construction
16 costs, and other factors pertinent to the feasibility of each Workforce Housing
17 project).

18 c. Existing reports and data that describe the current and projected demand
19 for low-income, workforce, and market-rate housing citywide and by census
20 block or neighborhood (using any relevant data from the March 2013 report by
21 Community Attributes).

22 3. The Experts should provide their recommendations in a single report (Expert
23 Report) by no later than January 20, 2014 to the Council Committee. The Council

1 Committee shall receive comments on the Expert Report from the Stakeholder Group and
2 other key stakeholders.

3 4. Council shall consider the recommendations in the Expert Report and work
4 toward adopting any changes Council deems necessary to the city's incentive zoning
5 programs as well as to Workforce Housing or other affordable housing programs and
6 policies by Ordinance and/or Resolution by no later than April 30, 2014.

7 **Section 3.** Adoption of this resolution in no way limits Council's authority to adopt
8 changes to the Seattle Municipal Code including, but not limited to, incentive zoning ordinances.

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10 Adopted by the City Council the ____ day of _____, 2013, and
11 signed by me in open session in authentication of its adoption this _____ day
12 of _____, 2013.

13 _____
14 President _____ of the City Council

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16 Filed by me this ____ day of _____, 2013.

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19 Monica Martinez Simmons, City Clerk

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21 (Seal)
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